

Analyst Briefing Notes

**Works Committee
(January 11, 2006)**

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PART I: 2006 Operating Budget Overview

Table 1: 2006 Proposed Operating Budget

	2005		2006 Proposed Operating Budget			Change 2006 Proposed from 2005 Budget		FY Incremental Outlook	
	2005 Approved Budget	2005 Proj Act.	2006 Proposed Base	2006 New Council Priorities	2006 Proposed Op. Bud.			2007	2008
(In \$000s)	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	55,487.9	53,546.1	60,840.4	0.0	60,840.4	5,352.5	9.6	41.3	0.0
REVENUE	51,101.8	49,160.0	54,938.8	750.0	55,688.8	4,587.0	9.0	479.3	0.0
NET EXP.	4,386.1	4,386.1	5,901.6	(750.0)	5,151.6	765.5	17.5	(438.0)	0.0
Approved Positions *	638.5	596.5	638.5	0.0	638.5	0.0	0.0		
TARGET			4,473.8						
\$ Over / (Under) Program Target			1,427.8						
% Over / (Under) Program Target			31.9%						

*2005 Approved Positions have been restated to reflect allocation of 59.6 Approved Positions from Support Services. Starting in 2006, Support Services is not recognized as a Program in the 2006 Operating Budget. Expenditures and Approved Positions have been allocated to clients' operating budgets based on the services provided.

Executive Summary

- The 2005 projected year-end net expenditure of \$4.386 million for Technical Services is at the 2005 Approved Budget of \$4.386 million net. This favourable variance is attributed to \$1.416 million in savings from increased gapping and \$0.526 million in savings in non-salary accounts, offset by a reduction of \$1.942 million in cost recoveries from Technical Services' clients.
- The 2006 Proposed Operating Budget for Technical Services of \$5.152 million net is comprised of \$5.902 million net for Base funding and \$0.750 million in new revenue, and is \$0.766 million or 17.5% higher than the 2005 Approved Operating Budget of \$4.386 million net.
- The 2006 Proposed Base Budget of \$5.902 million net is \$1.428 million or 31.9% over the 2006 target of \$4.474 million net, mainly the result of:
 - \$1.103 million increase in net expenditures primarily for cost of living adjustments (COLA) and fringe benefits increases;
 - additional \$0.565 million in Base revenues resulting from a fee increase for engineering review of subdivision applications from 3% to 5% of municipal infrastructure cost, effective April 1, 2006, as adopted by the Joint Planning & Transportation / Works Committees on November 30, 2005 in considering the report entitled "Proposed 2006 Development Application Process Fee Increases" from the Deputy City Manager responsible for Technical Services, dated November 18, 2005.

This initiative was referred to the Budget Advisory Committee for consideration during the 2006 operating budget process;

- \$0.722 million reduction in recoveries from external sources in District Engineering Services based on 2005 actual experience;
 - \$0.117 million adjustment to the contribution from the Emergency Management Reserve Fund; and,
 - a reduction of \$0.750 million in gross expenditures offset by a reduction in interdivisional recoveries of \$0.705 million, resulting in a net reduction of \$0.045 million in Technical Services' budget. The reduction in interdivisional recoveries is reflected as savings in Technical Services clients' budgets.
- In addition to the increase in Base revenues of \$0.565 million in engineering fees, the Joint Planning & Transportation / Works Committees also adopted a new engineering fee of 5% of the municipal infrastructure cost for review of site plan and rezoning applications, resulting in additional revenue of \$0.750 million in 2006 for Technical Services.
 - Proposed New and Enhanced Service Requests include "Delivery of the Green Toronto Awards Program." The funding request of \$0.060 million is proposed to be absorbed within the Technical Services' 2006 Proposed Operating Budget, as in 2005.
 - Key cost drivers for 2006 primarily include costs for salaries and benefits such as cost of living adjustments, fringe benefit changes and merit and step increases that result in a total increase of \$4.086 million gross and \$0.819 million net.

Recommendations

It is recommended that:

- (1) the Technical Services’ 2006 Proposed Operating Budget of \$60.840 million gross and \$5.152 million net, comprised of the following services, be approved:

<u>Service:</u>	Gross <u>(\$000's)</u>	Net <u>(\$000's)</u>
Facilities & Structures	8,881.7	6,651.5
Survey & Mapping	18,008.7	6,887.6
Environmental Services	2,307.3	2,266.0
Development Engineering	5,451.6	3,306.6
District Engineering	18,506.8	7,835.4
Office of Emergency Management	2,286.0	1,633.2
Program Administration	587.5	587.5
Support Services	4,810.8	4,810.8
Inter-Divisional Charges		(28,827.0)
Total Program Budget	<u>60,840.4</u>	<u>5,151.6</u>

- (2) the New Service Request for the Delivery of Green Toronto Awards Program be approved, and that the 2006 required funding of \$0.060 million be absorbed within the Technical Services’ 2006 Proposed Operating Budget; and,
- (3) any adjustments to Technical Services’ 2006 Proposed Operating Budget made through the political review process be made in Technical Services’ clients’ operating budgets after Council approval of the 2006 Operating Budget.

PART II: BASE BUDGET

Section A: 2005 Budget Variance Analysis

Table 2: 2005 Budget Variance Review

	2004 Actuals	2005 Approved Budget	2005 Projected Actuals *	2005 Approved vs Projected Actuals Variance Over / (Under)	
(In \$000s)	\$	\$	\$	\$	%
GROSS EXP.	49,727.3	55,487.9	53,546.1	(1,941.8)	(3.5)
REVENUES	42,617.0	51,101.8	49,160.0	(1,941.8)	(3.8)
NET EXP.	7,110.3	4,386.1	4,386.1	0.0	0.0
Approved Positions**	624.1	638.5	596.5	42.0	6.6

*2005 projected actual expenditures and revenues at year-end are based on the Revised 3rd Quarter Variance Report, to include cost of living adjustment and wage harmonization impacts.

**Approved positions in 2004 and 2005 have been restated to reflect allocation of approved positions from Support Services (2004 - 60.2 and 2005 - 59.4).

2005 Experience

Based on Technical Services' Revised 3rd Quarter Variance Report, the Program's year-end projection of \$4.386 million net will result in the Program meeting the 2005 Approved Operating Budget. This is attributed to a favourable variance of \$1.942 million in gross expenditures, resulting from savings of \$1.416 million achieved through gapping and \$0.526 million in non-salary accounts, offset by a reduction of \$1.942 million in cost recoveries from its clients.

Impact of 2005 Operating Variance on 2006 Proposed Operating Budget

- The budgeted contribution (\$0.760 million) from the Emergency Management Reserve Fund was not aligned with the budgeted expenditure level (\$0.643 million) in the 2005 Operating Budget. The reduction in the contribution from Emergency Management Reserve Fund results in a Base revenue pressure of \$0.117 million in 2006.
- Technical Services will not be able to sustain the gapping level of 5.1% in 2005 once positions approved in 2005 are filled to deliver the capital program. The 2006 Proposed Operating Budget has a gapping level of 3.9%. The reduction of gapping level of 1.2% results in \$0.285 million pressure in the 2006 Proposed Operating Budget.

Section B: 2006 Proposed Base Budget

Table 3: 2006 Proposed Base Budget

	2005 Approved Budget	2006 Requested Base	2006 Proposed Base	Change		FY Incremental Outlook	
				2006 Proposed Base v. 2005 Approved Budget		2007	2008
(In \$000s)	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	55,487.9	61,449.1	60,840.4	5,352.5	9.6	41.3	0.0
REVENUE	51,101.8	54,937.5	54,938.8	3,837.0	7.5	479.3	0.0
NET EXP.	4,386.1	6,511.6	5,901.6	1,515.5	34.6	(438.0)	0.0
Approved Positions	638.5	638.5	638.5	0.0	0.0	0.0	0.0
NET TARGET		4,473.8					
\$ Over / (Under) Program Target		1,427.8					
% Over / (Under) Program Target		31.9%					

2006 Proposed Base Budget

- The 2006 Proposed Base Budget of \$5.902 million net represents \$1.516 million or 34.6% increase over Technical Services’ 2005 Approved Operating Budget of \$4.386 million net.
- Net expenditure increase of \$1.516 million in 2006 is primarily attributable to an increase of \$1.103 million in net expenditures for cost of living adjustments and fringe benefits increases; and a reduction of \$0.722 million in recoveries from external sources based on 2005 actual experience, offset by an additional \$0.565 million in Base revenues resulting from increase of fees for engineering review of subdivision applications.
- Technical Services’ 2006 Proposed Base Budget of \$5.902 million net is \$1.428 million or 31.9% over the 2006 2% target of \$4.474 million net.

2006 Key Cost Drivers

- The primary cost driver for Technical Services is salaries and benefits, which represent 88% of the gross expenditures.
 - Fringe benefit changes (\$0.858 million), annualizations (\$0.652 million), and merit and step increases (\$0.661million), require a budget increase of \$2.171 million gross and \$0.458 million net.
 - Cost-of-living adjustments (COLA) and wage harmonization result in a total additional cost of \$1.915 million gross and \$0.361 million net.
- Non-staff costs that are primarily for vehicle and survey equipment replacements require additional funding of \$0.895 million gross and \$0.284 million net.

- An increase of \$2.281 million in base revenues is primarily attributable to increase in operating and capital recoveries from Technical Services' clients based on the 2006 allocation model.
- An additional \$0.565 million in Base revenue changes reflects the increase of existing fees for engineering review of subdivision applications from 3% to 5% of the municipal infrastructure cost, effective April 1, 2006. This proposal is included in the report entitled "Proposed 2006 Development Application Process Fee Increases" from the Deputy City Manager responsible for Technical Services, dated November 18, 2005. The report was adopted by the Joint Planning and Transportation Committee and Works Committee on November 30, 2005 and was referred to the Budget Advisory Committee for consideration during the 2006 operating budget process.

**Table 4: Summary of Proposed Base Budget Changes
From 2005 Approved Budget**

	Summary of 2006 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2007	2008
(\$000's)		\$	\$	\$	\$	\$
2005 Approved Operating Budget	587.3	55,384.9	50,031.7	5,353.2		
In-year approvals and technical adjustments	51.2	103.0	1,070.1	(967.1)		
2005 Approved Operating Budget	638.5	55,487.9	51,101.8	4,386.1	0.0	0.0
Annualizations		2,497.3	280.6	2,216.7		
Economic factors		1,596.0	1,273.7	322.3		
Adjusted Base Budget	638.5	59,581.2	52,656.1	6,925.1	0.0	0.0
Other base changes		1,867.9	0.0	1,867.9		
Base revenue changes		0.0	2,281.4	(2,281.4)		
2006 Base Budget Request	638.5	61,449.1	54,937.5	6,511.6	0.0	0.0
Recommended Base Adjustments:						
Other base changes		141.3	141.3	0.0		
Service efficiencies		(450.0)	(405.0)	(45.0)		
Revenue adjustments		0.0	565.0	(565.0)	(188.0)	0.0
Minor service impact		(300.0)	(300.0)	0.0		
Major service impact						
Total Proposed Base Adjustments	0.0	(608.7)	1.3	(610.0)	(188.0)	0.0
2006 Proposed Base Budget	638.5	60,840.4	54,938.8	5,901.6	(188.0)	0.0
2006 Program Operating Target	N/A	N/A	N/A	4,473.8		
% Over (Under) Program Target	N/A	N/A	N/A	31.9		
% Over (Under) 2005 Approved Budget	0.0	9.6	7.5	34.6		

Section C: 2006 Base Budget Issues

Key Issues / Recommendations

Other Base Changes

An increase of \$0.141 million in gross expenditures reflects inter-divisional charges from Purchasing & Materials Management Division to Technical Services for additional purchasing resources required to improve contract management and procurement process for the delivery of Capital programs. There is no net impact on Technical Services' Budget as the cost is fully recoverable from Transportation's Capital Budget.

Service Efficiencies

Technical Services proposed two service level changes: reduction of fringe benefit rate from 24.5% to 24.0%, and reduction of miscellaneous non-staff costs. These two service level changes are included in the 2006 Proposed Operating Budget totaling a reduction of \$0.450 million in gross expenditures offset by a decrease of \$0.405 million in interdivisional charges to Technical Services' clients, for a net reduction of \$0.045 million in Technical Services' budget.

Minor Service Impact

The 2006 Proposed Operating Budget includes a total reduction of \$0.300 million gross expenditures, offset by a decrease of \$0.300 million in interdivisional recoveries from Technical Services' clients, with no net impact on Technical Services' budget. This reduction includes:

- \$0.200 million increase in gapping; and,
- \$0.100 million reduction in the contribution to the Vehicle and Equipment Replacement Reserve.

Cost Recovery for Development Review

Staff from the Development Engineering section in Technical Services participate in the review of community planning applications and the later phases of development. Currently, there is a charge of 3% on the cost of municipal infrastructure for the engineering review of subdivision applications. There is no charge for an engineering review of site plan and rezoning applications.

The 2006 Proposed Base Budget includes additional revenue of \$0.565 million for engineering fees, which is included in the report entitled "Proposed 2006 Development Application Process Fee Increases" from the Deputy City Manager responsible for Technical Services, dated November 18, 2005. The purpose of this report is to recommend 2006 fee increases for the development application process and to recommend a strategy to move toward 100% cost recovery for all development application process costs.

The above-noted report recommends (a) an increase to existing fees for engineering review of subdivision applications from 3% to 5% of municipal infrastructure cost and (b) the introduction of a new fee for engineering review of site plan and rezoning applications at 5% of the municipal infrastructure cost, effective April 1, 2006. These changes are projected to generate additional

revenue of \$0.565 million in 2006 with incremental impact of \$0.188 million in 2007 for the existing fee change, and new revenue of \$0.750 million in 2006 with incremental impact of \$0.250 million in 2007 for Technical Services.

The report was adopted by the Joint Planning and Transportation Committee and Works Committee on November 30, 2005 and was referred to the Budget Advisory Committee for consideration during the 2006 operating budget process.

With fee increases and the new fees, Technical Services' Development Engineering section is projected to recover approximately 47% (currently at 17%) of its costs for engineering review of development applications.

Technical Services' Inter-Divisional Charges

Technical Services provides support and services to Programs within Citizen-Centred Services "B". The cost of these services is fully recoverable from its client programs. Adjustments that have been made through the administrative review process have already been allocated to individual programs. Any adjustments made through the political review process will be allocated after Council approval of the 2006 Operating Budget.

3 Year Operating Budget Overview

The strategic direction guiding Technical Services' operating budget is to improve overall coordination of Capital Program and increase overall completion rate, establish a financing mechanism for Development Engineering toward full cost recovery of development review, and provide enhanced support and management oversight to deliver the City's environmental objectives.

With the proposed increase in the existing engineering fees for the review of subdivision applications and the introduction of a new fee for engineering review of site plan and rezoning applications, the Technical Services' 2006 Proposed Operating Budget includes additional revenues of \$1.315 million in 2006. The projected incremental revenue of \$0.438 million in 2007 for Technical Services is the annualized impact of proposed engineering fee increase and the new fee effective April 1, 2006 for engineering review of development applications.

Other than salary and benefit related pressures, Technical Services does not have any other cost drivers that will impact the 2007 and 2008 operating budgets.

Service Levels, Delivery, or Gap Issues

The Streamlining the Application Review Process (STAR) timeframes established by Council set deadlines for staff to complete review and provide comment on developers' applications within 30 days on average. Currently, Technical Services is meeting the timeframes 65% of the time. In addition, staff are also responsible for case management of the development throughout engineering design, plan approval, construction and compliance checks. While performance targets have not been set for these activities yet, they are currently under review. The Program indicates that additional resources are required to meet Council's STAR timeframes 90% of the time.

Technical Services' 2006 Operating Budget submission included a new request for 5 new positions in Development Engineering Services to meet STAR timeframes and to provide better response time to development-related concerns. The 2006 required funding is \$0.448 million gross and \$0 net, with funding from increase in fees. Given the City's financial constraints and that the Program not meeting the 2% target, this request is not proposed.

Issues Referred to 2006 Operating Budget Process

There is no issue referred to the 2006 Operating Budget Process.

Outstanding Issues from 2005 and Prior Years

There is no outstanding issue from 2005 and prior years.

Appendix A
Summary of Service Level Adjustments

PART III: NEW COUNCIL PRIORITIES

Section D: 2006 Proposed New Council Priorities

Table 5: Summary of 2006 Proposed New Council Priorities (\$000)

Council Priority	Description	Total 2006 New Requests		2006 Not Proposed		2006 Proposed Council Priorities		Proposed New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.	Gross Exp.	Net Exp.	Gross Exp.	Net Exp.		2007	2008
		\$	\$	\$	\$	\$	\$		#	\$
Council Priorities:										
	Sub-Total Council Priorities									
New Requests Referred to 2006 Operating Budget:										
	Sub-Total Referred									
New Program Requests:										
1	GIS Mapping Critical Infrastructure	74.2	14.9	74.2	14.9					
1	Improve Safe Working Conditions	109.4	0.0	109.4	0.0					
1	Emergency Management Software	50.0	30.0	50.0	30.0					
1	CBRN Support	55.3	0.0	55.3	0.0					
1	Computer Software	20.2	0.0	20.2	0.0					
1	Increased Gapping & IT Support	129.2	0.0	129.2	0.0					
1	GIS Mapping	59.3	0.0	59.3	0.0					
1	Delivery of Green Toronto Awards	60.0	60.0	60.0	60.0					
1	Air Quality Modeler	160.2	160.2	160.2	160.2					
8	STAR Development Review	448.4	0.0	448.4	0.0					
8	New Fee for Development Application Review	0.0	(750.0)			0.0	(750.0)		(250.0)	
	Sub-Total New Program Requests	1,166.2	(484.9)	1,166.2	265.1		(750.0)		(250.0)	
Total New Council Priorities		1,166.2	(484.9)	1,166.2	265.1		(750.0)		(250.0)	
Council Priority										
1	Improve Public Service	6 - Ensure housing is affordable								
2	Make Progress on the Waterfront	7 - Get the powers and funding needed for Toronto to succeed								
3	Improve Business Climate	8 - Improve the planning process								
4	Make Toronto a clean and beautiful city	9 - Increase public involvement in civic affairs								
5	Strengthen our at-risk neighbourhoods	10 - N/A								

Key Issues / Recommendations***2006 New Council Priorities***

None.

New Requests Referred to 2006 Operating Budget Process

None.

2006 New Program Requests

Technical Services' 2006 Operating Budget submission includes ten New and Enhanced Service Requests for a total of \$1.166 million gross and \$0.265 million net. Most of the New and Enhanced Service Requests include recoveries from other Program operating and capital budgets, resulting in zero net impact on Technical Services, but will result in a pressure in clients' budgets.

The following New and Enhanced Service Requests are proposed and are included in the 2006 Operating Budget for Technical Services:

1. New Fee for Development Application Review

In the 2006 Operating Budget submission, Technical Services included the proposal "Development Fee Recovery" as a zero reduction option. The proposal is reclassified into two revenue changes: Base (\$0.565 million) and New Request (\$0.750 million). The new request reflects the introduction of a new fee of 5% of the municipal infrastructure cost for the engineering review of site plan and rezoning applications effective April 1, 2006, and is projected to generate \$0.750 million in 2006, with an incremental impact of \$0.250 million in 2007 for Technical Services.

The request was incorporated in the report entitled "Proposed 2006 Development Application Process Fee Increases" from the Deputy City Manager responsible for Technical Services, dated November 18, 2005. The report was adopted by the Joint Planning and Transportation Committee and Works Committee on November 30, 2005 and was referred to the Budget Advisory Committee for consideration during the 2006 operating budget process.

2. Delivery of the Green Toronto Awards Program

In the City of Toronto Environmental Plan, Recommendation #38g states "Develop a green economy award program to honour and celebrate leading companies and organizations contributing to the greening of Toronto". The Green Toronto Award is an initiative of the Mayor's Roundtable on the Environment and was approved by Council in 2005. A part-time Event Coordinator is needed for planning, implementation and delivery of the 2006 Awards.

Given that the Green Toronto Award is an initiative of the Mayor's Roundtable on the Environment, it is proposed that Technical Services absorb within the 2006 Proposed Operating

Budget to offset the cost (\$0.060 million) of a part-time Event Coordinator. The 2005 costs were absorbed within the 2005 Approved Operating Budget.

The following New and Enhanced Service Requests are not proposed due to affordability constraints and did not form part of Council's highest priorities:

- GIS Mapping Critical Infrastructure (\$0.074 million gross and \$0.015 million net);
- Improve Safe Working Conditions (\$0.109 million gross and \$0 net);
- Emergency Management Software (\$0.050 million gross and \$0.030 million net);
- CBRN Support (\$0.055 million gross and \$0 net);
- Computer Software (\$0.020 million gross and \$0 net);
- Increased Gapping & IT Support (\$0.129 million gross and \$0 net);
- GIS Mapping (\$0.059 million gross and \$0 million net);
- Air Quality Modeler (\$0.160 million gross and \$0.160 million net);
- STAR Development Review (\$0.448 million gross and \$0 net).

Appendix B

Summary of Council Priority Services and New Service Requests